

Questions from Geneva 304 Board of Education Regarding TIF #2 Extension

The Following responses were provided by representatives from the City of Geneva.

1. What is the direct impact the proposed TIF extension would have on 304?

District 304 will benefit from the reconstruction of east State Street (RT 38) from the Fox River east to Kirk Road. Planned roadway and streetscape improvements will enhance public safety for vehicles and pedestrians.

It is difficult to estimate the direct financial impact the TIF extension would have as like the City of Geneva, the School District is subject to a PTELL cap of 5%. Therefore, the TIF extension may have minimal impact. The 2022 Levy Assumption indicated a total EAV increase of 5.46%, the District was limited to 5%, but levied only 4%.

For Tax Year 2022, the increment generated in TIF 2 was \$272,880.85, with \$193,210 attributed to the School District 304's levy. This amount represents .2% of School District 304's total levy of \$96,461,813. During the 12-year period of the proposed extension, it is estimated that approximately \$2M of taxpayer funds will be generated from School District 304 to the TIF 2 Fund. This amount represents 1.7% of School District 304 FY 2022-23 budget of \$121,564,737.

2. Since this is an extension, is it just delaying what the direct impact would have been?

During the extension period, the base amount remains the same as when the TIF district was created. Any increment continues to be available for use in the TIF district by the municipality. The establishment of the TIF (or in this case the extension) does not reduce property tax revenues available to the overlapping taxing bodies. Property taxes collected on properties included in the TIF district at the time of its designation continue to be distributed to the school district and other affected taxing districts in the same manner as if the TIF district did not exist.

3. Could this TIF end sooner than the 12-year extension, and who makes that decision? If this is up to the city where does the city stand on this issue?

The municipality monitors the progress of the TIF district in concert with the Joint Review Board which is made up of representatives from the major taxing bodies. By law the Joint Review Board meets annually to review the progress and status of each TIF district. In addition, an annual report is submitted to the Illinois Comptroller. The City can recommend closing out a TIF district upon a determination that redevelopment goals have been met and related projects are completed.

The extension request is based primarily on the desire to complete the East State Street Road construction project due to the number of delays, related loss of grant funding and cost increases. The City estimates that the entire 12-year period may be needed to complete the improvement project. However, the City also recognizes that there may be

other opportunities (in addition to the road improvement project) that would benefit all taxing bodies.

4. Have other taxing bodies that have been asked to support this extension?

Yes, all impacted taxing bodies were asked to support this extension including Waubensee Community College, Geneva Park District, Kane County and Geneva Library District.

5. When a TIF makes improvements to an area, will there be a change in the EAV for the homes close to, but not actually within the boundaries of the TIF district?

All properties in the district and outside of the district are assessed in the same manner as all other properties and are taxed at the same rate. TIF is not an increase in taxes. It is only a reallocation of how taxes are used during the period of the TIF. Increases in property taxes experienced by property owners are due to reassessment and rate increase, not TIF.

6. Would the funding from the TIF extension be used only for infrastructure?

The reason for seeking an extension is primarily to provide funding for the local share of roadway improvements including expenses for property acquisition, infrastructure and street enhancements. Should a redevelopment project be proposed that will benefit the entire City and increase the EAV for all taxing districts, the project may be evaluated for funding participation.

7. Will any part of this TIF be used for tax incentives for new businesses coming in along the east State area?

Should a redevelopment project be proposed that will benefit the entire City and increase the EAV for all taxing districts, the project may be evaluated for funding participation.

8. Would the extension of this TIF provide any kind of tax relief to existing businesses?

The establishment of a TIF District does not provide tax relief to any new or existing businesses or property owner. All property owners/businesses continue to pay the full property tax. A TIF incentive does not provide tax relief. TIF assistance may include costs such as property acquisition, renovation, rehabilitation, professional services and other costs as defined by State Statute.

9. If the proposed TIF extension will include tax breaks for businesses, would the city consider restructuring the TIF to only include the infrastructure improvements?

A TIF incentive does not provide a tax break for business. Should a redevelopment project be proposed that will benefit the entire City and increase the EAV for all taxing districts, the project may be evaluated.

10. Are there any ways that the proposed TIF extension could be structured to reduce the monetary impact on the district?

Any restructuring offered to the school district would also have to be offered to the other taxing bodies. As the school district is the largest taxing body, the end result would reduce the estimated increment in such a way that would nullify the reason for requesting an extension.

Other information that may be useful to know in considering the request:

1. What is TIF?

TIF is a mechanism for municipalities to spur economic development in specific geographic areas that are blighted and deteriorating. Local taxing bodies create a TIF redevelopment or project area, or TIF district, whereby the Equalized Assessed Value (EAV) of the property in the area is set at a base amount. Property taxes collected on properties included in the TIF district at the time of its designation continue to be distributed to the school district and all other affected taxing districts in the same manner as if the district did not exist. Establishment of a TIF does not reduce property tax revenues available to the overlapping taxing bodies.

A tax increment is the difference in the amount of property tax revenue generated before TIF district designation and the amount of property tax revenue generated after TIF designation. Only property taxes generated by the incremental increase in the EAV of these properties after that time are available for use in the TIF district by a municipality. (IML Fact Sheet, August 10, 2023)

2. What is the rationale for a TIF District?

Each taxing district within the City has a purpose and responsibility. The City is the governing body responsible for economic development, life safety, property maintenance, utilities, streets, sidewalks and public safety.

The rationale for TIF is that only the City has the responsibility and authority to support redevelopment and, more broadly, economic development. All taxing bodies benefit in the long run from these activities. Utilizing the full increment (i.e., all affected taxing bodies) to help pay for necessary costs, such as roads, traffic control, streetscape improvements to bring about redevelopment benefits all. Since only the City can incur those costs, it provides an equitable method to ensure that redevelopment can take place to improve the overall built environment.

In addition, the City is a non-home rule municipality and is limited by state law as to the types of incentives that can be offered to spur investment, redevelopment, and public improvements. TIF provides an opportunity to finance development with revenue

generated by redevelopment in the district. TIF is for all practical purposes the one economic development tool that the City has that can serve to accomplish significant reinvestment that results in increased EAV to the benefit of all taxpayers and taxing districts.

3. Where can I find information regarding TIF 2 (East State Street TIF District)?

The City's website has information on the TIF District including the Plan Document, and links to the annual reports.

4. What are the benefits for taxpayers?

At a minimum, property owners (and anyone traversing Route 38) will benefit from public improvements, infrastructure upgrades, and increased investment and business opportunities to help shift reliance from homeowner property tax revenues to other revenue sources to help pay for essential services such as police, fire, and public safety.

5. The City and the School District have a long history of working together. Some examples include:

- The City provides crossing guards at no expense to the school district at a budgeted expense of \$52,560 annually.
- The City funds ½ of the School Resource Officer at a budgeted expense of \$53,000 annually.
- The City, by choice, implemented an ordinance that requires developers to donate either land or cash to the school district for any new development. This is a benefit to the school district that only the City can require of developers, even though the law does not offer the same benefit for the City. This benefit has been in place for several decades. The current cash fair market value per acre of land used to determine the calculations of cash contributions in lieu of land deductions is \$330,000. In FY 2021, the school district received \$39,425.
- The City provides police officers to cover the homecoming parade. It requires 16 officers for a two hour minimum, mostly at an overtime rate.
- The City provides drivers education (through the Police Department) for a couple of days each year without charge.
- The City provides annual fire safety training at all elementary schools during fire prevention week. A benefit to both the City and the district.
- Sponsor Student Government Day with the High School to provide an opportunity for high school students the opportunity to learn about local government.